Audit of Forest Planning and Practices

Qwa'eet Forest Products Ltd.

Non-Replaceable Forest Licence A55525

FPB/ARC/43

December 2001

102-01867/

Table of Contents

A. Report from the Board

B. Forest Practices Board Compliance Audit Process

C. Report from the Auditor

1.0 Introduction

2.0 Audit Scope

3.0 Audit Findings

4.0 Other Comments

5.0 Audit Opinion

Report from the Board

A. Report from the Board

This is the Board's report on a compliance audit of Non Replaceable Forest Licence A55525 held by Qwa'eet Forest Products Ltd. The licence does not have specific borders within which activities take place; however, the primary operating area is located north and south of the town of Merritt, BC. Qwa'eet also operated on several cutblocks located northeast of Princeton. The operating area for Qwa'eet consists of fairly flat and dry upland plateaus with few riparian features or areas of unstable terrain.

The Report from the Auditor (Part C) provides further details on the location of the licence, the scope of the audit, and the audit findings. The Report from the Auditor is based on the audit procedures described in Part B, which provides background information on the Board's audit program and the process followed by the Board in preparing its report.

The audit examined Qwa'eet's operational planning (including forest development plans and silviculture prescriptions); timber harvesting; road construction, maintenance and deactivation; silviculture; and fire protection practices for the period of August 1, 2000, to August 17, 2001.

The Board considered the Report from the Auditor, along with supporting audit evidence, and affirms the auditor's findings and conclusions. Qwa'eet Forest Products Ltd.'s planning and field activities complied, in all significant respects, with Code requirements for operational planning; timber harvesting; silviculture; fire protection; and road construction, maintenance and deactivation activities.

The few identified instances of non-compliance in the areas of timber harvesting and operational planning were minor in nature; therefore, they were not considered worthy of reporting.

At the time of this audit, only objectives for recreation sites and trails in the Merritt Timber Supply Area were designated as higher level plans. While certain specific forest values have been made known by the district manager, higher level plan objectives for all forest resources have not been established. Government has decided to use a landscape level planning process rather than a land and resource management planning process to complete higher level planning in the Merritt sub-region, which includes Qwa'eet's operating area. The Board notes that, compared to the land and resource management planning process, the landscape level planning process restricts public involvement and, as a result, some resources requiring protection may not be identified.

W.N. (Bill) Cafferata, RPF
Chair, Forest Practices Board
December 11, 2001

Forest Practices Board
Compliance Audit Process

B. Forest Practices Board Compliance Audit Process

Background

Forest Practices Board conducts audits of government and agreement-holders for compliance with the *Forest Practices Code of British Columbia Act* and regulations (the Code). The Board has the authority to conduct these periodic independent audits under section 176 of the *Forest Practices Code of British Columbia Act* (the Act). Compliance audits examine forest planning and practices to determine whether or not they meet Code requirements.

The Board undertakes both "limited scope" and "full scope" compliance audits. A limited scope audit examines selected forest practices (e.g., road construction, maintenance and deactivation; timber harvesting; or silviculture) and the related operational planning activities. A full scope audit examines all operational planning activities and forest practices.

The Board determines how many audits it will conduct in a year, and what type of audits (limited or full scope), based on budget and other considerations. The Board audits agreement-holders who have forest licences or other tenures under the *Forest Act* or the *Range Act*. The Board also audits government's Small Business Forest Enterprise Program (SBFEP), which is administered by Ministry of Forests district offices. Selection of agreement-holders and district SBFEPs for audit is done randomly, using a computer program, to ensure a fair, unbiased selection of auditees.

Audit Standards

Audits by the Forest Practices Board are conducted in accordance with the auditing standards developed by the Board. These standards are consistent with generally accepted auditing standards.

The audits determine compliance with the Code based on criteria derived from the *Forest Practices Code of British Columbia Act* and its related regulations. Audit criteria are established for the evaluation or measurement of each practice regulated by the Code. The criteria reflect judgments about the level of performance that constitutes compliance with each requirement.

The standards and procedures for compliance audits are described in the Board's *Compliance Audit Reference Manual*.

Audit Process

Conducting the Audit

Once the Board selects an audit and decides on its scope (limited scope or full scope), the audit period and the staff and resources required to conduct the audit are determined. Board staff also meet with the party being audited to discuss the logistics of the audit before commencing the work.

All the activities carried out during the period subject to audit are identified; for example, harvesting or replanting sites and building or deactivating road sections. The items that make up each forest

activity are referred to as a "population." For example, all sites harvested form the "timber harvesting population." All road sections constructed form the "road construction population." The populations are then sub-divided based on factors such as characteristics of the sites and potential severity of the consequences of non-compliance on the sites.

For each population, the auditors choose the most efficient means of obtaining information to conclude whether there is compliance with the Code. Because of limited resources, auditors usually rely upon sampling to obtain audit evidence, rather than inspecting all activities.

Individual sites and forest practices within each population have different characteristics, such as the type of terrain or type of yarding. Each population is divided into distinct sub-populations on the basis of common characteristics (e.g., steep ground vs. flat ground). A separate sample is selected for each population (e.g., the cutblocks selected for auditing timber harvesting). Within each population, more audit effort (i.e., more audit sampling) is allocated to the sub-population where the risk of non-compliance is greater.

Audit work in the field includes assessments from the air using helicopters and intensive ground procedures, such as measuring specific features like road or riparian reserve zone width. The audit teams generally spend one to two weeks in the field.

Evaluating the Results

The Board recognizes that compliance with the many requirements of the Code is more a matter of degree than absolute adherence. Determining compliance, and assessing the significance of non-compliance, requires the exercise of professional judgment within the direction provided by the Board.

Auditors collect, analyze, interpret and document information to determine the audit results. The audit team, composed of professionals and technical experts, first determines whether forest practices are in compliance with Code requirements. For those practices considered to not be in compliance, the audit team then evaluates the degree to which the practices are judged not in compliance. The significance of the non-compliance is determined based on a number of criteria, including the magnitude of the event, the frequency of its occurrence and the severity of the consequences.

As part of the assessment process, auditors categorize their findings into the following levels of compliance:

Compliance – where the auditor finds that practices meet Code requirements.

Not significant non-compliance – where the auditor, upon reaching a non-compliance conclusion, determines that a non-compliance event, or the accumulation and consequences of a number of non-compliance events, is not significant and is not considered worthy of reporting.

Significant non-compliance – where the auditor determines that the event or condition, or the accumulation and consequences of a number of non-compliance events or conditions, is or has the potential to be significant, and is considered worthy of reporting.

Significant breach – where the auditor finds that significant harm has occurred, or is beginning to occur, to persons or the environment as a result of the non-compliance. A significant breach can also result from the cumulative effect of a number of non-compliance events or conditions.

Identification of a possible significant breach requires the auditor to conduct tests to confirm whether or not there has been a breach. If it is determined that a significant breach has occurred, the auditor is required by the *Forest Practices Board Regulation* to immediately advise the Board, the party being audited, and the Ministers of Forests, Energy and Mines, and Water, Land and Air Protection.

Reporting

Based on the above evaluation, the auditor then prepares the "Report from the Auditor" for submission to the Board. The party being audited is given a draft of the report before it is submitted to the Board so that the party is fully aware of the findings. The auditee is also kept fully informed of the audit findings throughout the process, and is given opportunities to provide additional relevant information and to ensure the auditor has complete and correct information.

Once the auditor submits the report, the Board reviews it and determines if the audit findings may adversely affect any party or person. If so, the party or person must be given an opportunity to make representations before the Board decides the matter and issues a final report to the public and government. The representations allow parties that may potentially be adversely affected to present their views to the Board.

At the discretion of the Board, representations may be written or oral. The Board will generally decide on written representations, unless the circumstances strongly support the need for an oral hearing.

The Board then reviews the report from the auditor and the representations from parties that may potentially be adversely affected before preparing its final report, which includes the Board's conclusions and, if appropriate, recommendations.

If the Board's conclusions or recommendations result in newly adversely-affected parties or persons, additional offers of representations would be required.

Once the representations have been completed, the report is finalized and released: first to the auditee and then to the public and government.

Report from the Auditor

C. Report from the Auditor

1.0 Introduction

As part of the Forest Practices Board's 2001 compliance audit program, Non-Replaceable Forest Licence (NRFL) A55525 was selected for audit from the population of major licences within the Kamloops Forest Region. The licence, held by Qwa'eet Forest Products Ltd. (Qwa'eet), was selected randomly and not on the basis of location or level of performance.

NRFL A55525 is a non-replaceable, 15-year, volume-based forest licence located in the Merritt Forest District, within the Merritt Timber Supply Area (Merritt TSA). This non-replaceable forest licence does not have specific borders within which activities take place; however, the primary operating areas are fairly well defined. Qwa'eet's primary operating area is located north and south of the town of Merritt, BC. The northern operating area extends north to the Merritt Forest District boundary, and from the Nicola River in the west to Nicola Lake in the east. The southern operating area is in the Coldwater River watershed. Qwa'eet also operated on several cutblocks located northeast of Princeton (see attached map).

NRFL A55525 has an allowable annual cut of 60,000 cubic metres and, as a requirement of the licence, Qwa'eet targets its harvest to predominantly small pine. The company harvested approximately 66,000 cubic metres during the audit period, substantially all within the northern operating area. The operating area for Qwa'eet consists of fairly flat and dry upland plateaus where there are few riparian features or areas of unstable terrain.

Forest operations under this licence began in 1997. Because of the short harvest history, the majority of Qwa'eet's silvicultural obligations under the Forest Practices Code, such as the requirement to successfully regenerate and establish free-growing stands, have not yet taken effect. As well, the road system is relatively limited.

In January 2000, objectives for 145 recreation sites, recreation trails and interpretive sites in the Merritt TSA were designated under the Code to be higher level plans.[i] Specific recreation management objectives for these sites and trails include managing for outdoor recreation, with either vehicle or non-vehicle access; making available opportunities for camping, picnicking, boating and swimming; or hiking, mountain-biking and equestrian uses. Thirty-nine of these sites are located within Qwa'eet's operating area. There are no other declared higher level plans in the Merritt TSA, as discussed in section 4.0 of this report.

2.0 Audit Scope

The audit examined Qwa'eet's activities in the areas of operational planning (including forest development plans[ii] and silviculture prescriptions[iii]); timber harvesting; silviculture; fire protection; and road construction, maintenance and deactivation. These activities were assessed for compliance with the *Forest Practices Code of British Columbia Act* and related regulations (the Code).

All activities, planning and obligations for the period August 1, 2000, to August 17, 2001, were included in the scope of the audit.

The activities carried out by Qwa'eet during the audit period, and therefore subject to audit, were:

- harvesting of 14 cutblocks
- construction of 11 road sections totalling 13.5 kilometres
- maintenance of 68.1 kilometres of road, involving activities such as road surfacing and cleaning culverts and ditches
- permanent and semi-permanent deactivation of 12 road sections totalling 9 kilometres
- planning and layout of 2 road sections totalling 1.9 kilometres
- planting on 1 cutblock
- site preparation on 1 cutblock
- protection activities including fire preparedness planning, fuel management and hazard abatement.

The activities carried out in the period were approved in Qwa'eet's 1998 - 2002 forest development plan. The approval period of the forest development plan was extended by one year through an extension amendment to the forest development plan. The audit included assessing the plan for compliance with the Code, including consistency between the plan and objectives in designated higher level plans.

In addition, 15 silviculture prescriptions were approved during the audit period, 13 of which supported harvesting that occurred during the audit period.

There were no bridges that fall within the scope of this audit.

Section 3.0 describes the audit of these activities and the audit results. The Board's audit reference manual, *Compliance Audit Reference Manual, Version 5.0, May 2001*, sets out the standards and procedures that were used to carry out this audit.

3.0 Audit Findings

Planning and practices examined

The audit work on selected roads and cutblocks included ground-based procedures and assessments from the air using a helicopter. Because of the small population sizes, all or most of the items within each activity were audited. The audit examined:

- the approved extension amendment to the 1998 - 2002 forest development plan and 6 forest development plan amendments

- harvesting of 14 cutblocks and their related operational plans
- 2 cutblocks where harvesting activity had not commenced but the related silviculture prescriptions or amendments were approved during the audit period
- construction of 11 road sections totalling 13.5 kilometres
- planning and layout of 2 road sections totalling 1.9 kilometres, where construction activity had not commenced
- maintenance of 67.4 kilometres of road
- permanent and semi-permanent deactivation of 12 road sections totalling 9 kilometres
- planting of 1 cutblock
- site preparation of 1 cutblock
- fire-preparedness planning, fuel management, and hazard abatement
- fire-preparedness on one active harvesting cutblock
- consistency with the site-specific management objectives of 39 recreation sites and trails

Findings

The audit found that Qwa'eet's planning and field activities complied, in all significant respects, with Code requirements for operational planning; timber harvesting; silviculture; fire protection; and road construction, maintenance and deactivation activities.

The audit did not identify any non-compliance in the areas of road construction, maintenance and deactivation; silviculture; and fire protection. The instances of non-compliance in the areas of timber harvesting and operational planning were few in number and minor in nature.

The audit found that Qwa'eet had no current or proposed activities immediately adjacent to the 39 recreation sites within its operating area. Therefore, Qwa'eet's planning and practices have not affected the sites and are consistent with the site-specific management objectives for those recreation sites and trails.

4.0 Other Comments

Qwa'eet's forest development plan and extension amendment are required to be consistent with any higher level plans that apply to the area under the plan and amendment. Higher level plans are defined in the Code as objectives for resource management zones, landscape units, sensitive areas and recreation sites, trails and interpretive forest sites. The Code envisioned identification of forest resources and establishment of the objectives for resource management zones through strategic planning with public involvement. This would then provide direction to forest development plans.

The Code has not been fully implemented in the Merritt TSA. At the time of the audit, the only higher level plans that existed in the Merritt TSA were for recreation sites. Objectives for other forest resources, such as habitat for specific species such as grizzly bear or biodiversity, have not been established because resource management zones and landscape units have not been declared in the Merritt TSA.

Qwa'eet's forest development plan and extension amendment must also include information about forest resources that have been made known by the district manager. Although higher level plan objectives for all resources have not yet been established, specific forest resources that include scenic areas identified in the *Lakes Local Resource Use Plan*, temperature sensitive streams, ungulate winter range and community watersheds and water supply intakes have been made known by the district manager.

The lack of complete information and objectives for forest resources in the Merritt TSA means it was not possible for the audit to determine if all forest resources are being addressed by Qwa'eet's forest development plan and extension amendment. The lack of higher level plans and objectives is not considered to be non-compliance on the part of Qwa'eet.

5.0 Audit Opinion

In my opinion, the operational planning; timber harvesting; silviculture; fire protection; and road construction, maintenance, and deactivation activities carried out by Qwa'eet Forest Products Ltd., on Non-Replaceable Forest Licence A55525, from August 1, 2000, to August 17, 2001, were in compliance, in all significant respects, with the requirements of the Code as of August 2001.

Without qualifying my opinion, I draw attention to section 4.0 which explains the place of higher level plans in the planning regimes anticipated by the Code, and the effect that their absence has on the identification of forest resources in Qwa'eet's operating area.

It was not possible to fully assess if all forest resources are being adequately managed and conserved because resource management zone and landscape unit objectives have not yet been established and, as a result, it is not clear if all forest resources have yet been identified. Because of this limitation in implementing the Code in the Merritt TSA, the audit assessed Qwa'eet's compliance based on the Code requirements that were in place during the audit period. This situation is not considered to be non-compliance by Qwa'eet.

In reference to compliance, the term "in all significant respects" recognizes that there may be minor instances of non-compliance that either may not be detected by the audit, or that are detected but not considered worthy of inclusion in the audit report.

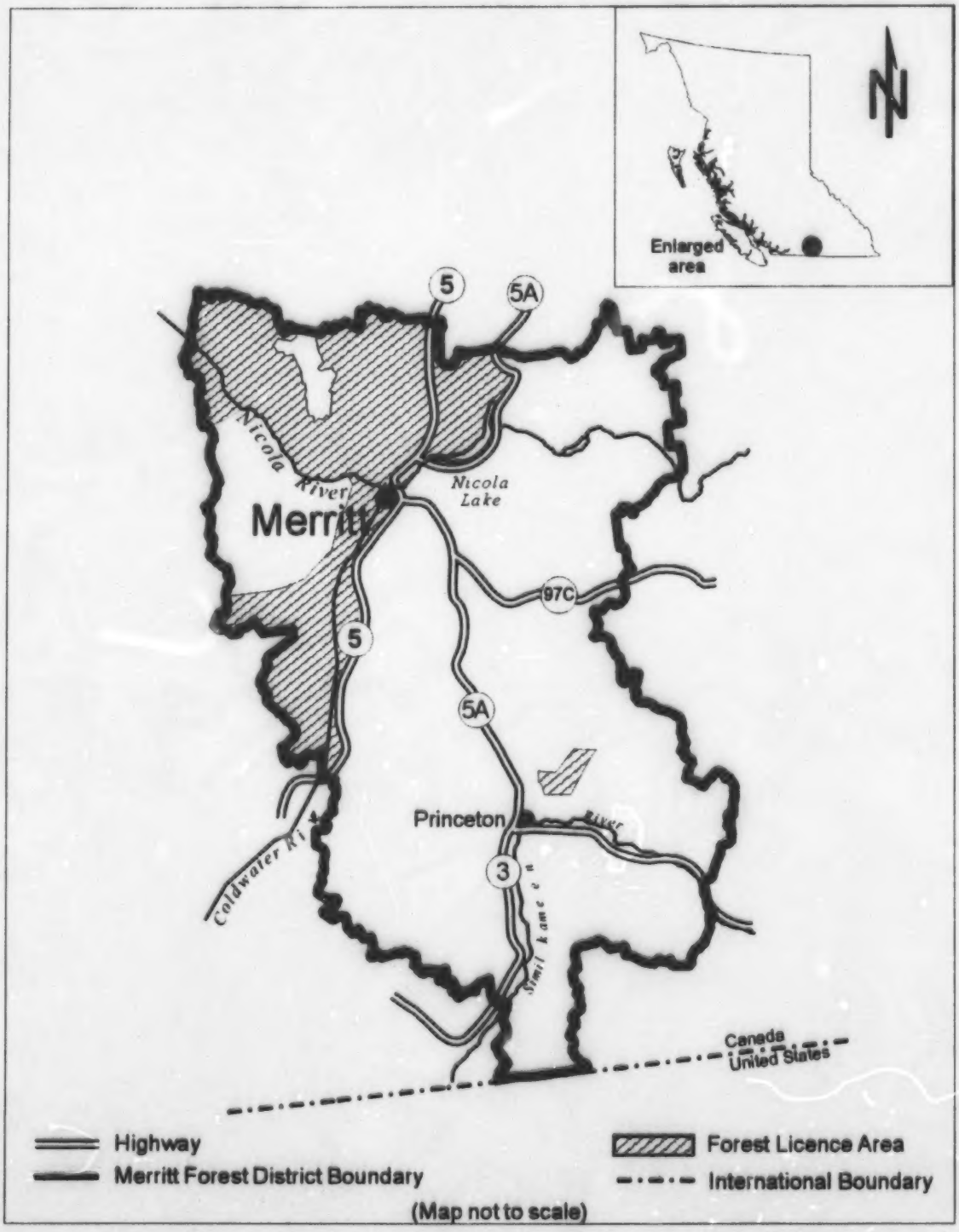
Sections 2.0 and 3.0 of this report from the auditor describe the basis of the audit work performed in reaching this opinion. The audit was conducted in accordance with the auditing standards of the Forest Practices Board. Such an audit includes examining sufficient forest planning and practices to support an overall evaluation of compliance with the Code.

C R Mosher

Christopher R. Mosher, CA
Auditor of Record

Victoria, British Columbia
November 21, 2001

Audit of Qwa'eet Forest Products Ltd. NRFL A55525.



i A higher level plan is a forest resource management objective that is established as legally binding by a written order. The objective applies to a resource management zone, landscape unit, sensitive area, recreation site, recreation trail, or interpretive forest site. Higher level plans are a provision of the *Forest Practices Code of British Columbia Act* that give direction to operational plans.

ii A forest development plan is an operational plan that provides the public and government agencies with information about the location of proposed roads and cutblocks for harvesting timber over a period of at least five years. The plan must specify measures that will be carried out to protect forest resources. It must also be consistent with any higher level plans. Site-specific plans are required to be consistent with the forest development plan.

iii A silviculture prescription is a site-specific operational plan that describes the forest management objectives for an area to be harvested (a cutblock). The silviculture prescriptions examined in the audit are required to describe the management activities proposed to maintain the inherent productivity of the site, accommodate all resource values, including biological diversity, and produce a free-growing stand capable of meeting stated management objectives. Silviculture prescriptions must be consistent with forest development plans that encompass the area to which the prescription applies.